



— State of —
North Dakota
Office of the Governor
John Hoeven
Governor

2005 LEGISLATIVE HIGHLIGHTS
April 23, 2005

ECONOMIC DEVELOPMENT – Continuing to build the best business environment in America through favorable legal, educational, regulatory and tax policies – all designed to create higher paying jobs and more opportunities for our citizens.

Creating the Best Business Climate in America

- ***Centers of Excellence:*** Committed \$50 million with \$20 million on the front end for *Centers of Excellence* on our college campuses statewide to expand our economy and create higher paying jobs and more opportunities for North Dakota citizens, especially our youth.
- **Enhanced Economic Development Accountability:** Passed legislation to provide greater economic development accountability for companies that receive assistance from the state. Includes reporting on new jobs, the average compensation of those jobs, target dates to meet goals and clawback provisions that would terminate or reduce incentives for companies that don't meet their goals.
- **Created a North Dakota Transmission Authority:** Established a new authority under the Industrial Commission to promote investments in new transmission lines, build new power plants and wind facilities, help develop right-of-ways for power lines and help export energy to markets beyond our borders.
- **Expanded the North Dakota Trade Office:** Enhanced North Dakota Trade Office funding to \$800,000 to expand the state's share of foreign trade, including \$100,000 for export trade internships.
- **Increased the Seed Capital Investment Credit** from \$1 million per year to \$2.5 million per year.

Energy

- **Created a new *North Dakota Renewable Energy Office*** to promote a comprehensive renewable energy initiatives package in wind, ethanol, biodiesel, hydrogen and other renewable energy resources.

Wind

- A North Dakota Transmission Authority, which will promote new investment in transmission lines in North Dakota.
- A provision to allow the trading of premium renewable energy credits to plants in other states, which promotes the development of wind energy in North Dakota.
- A provision to raise the jurisdictional threshold for siting electrical power generation facilities from 50 to 100 thousand kilowatts, reducing the regulatory burden for wind energy companies to site plants in North Dakota. Below the threshold, the company doesn't require siting approval from the PSC.
- A provision to reduce the maximum siting application fee for a power conversion facility or a transmission corridor from \$150,000 to \$100,000, and to return to the applicant any portion of the fee unspent by the state in the siting process.

- A reduction in the assessed value of a wind turbine electric generation units from 3 percent to 1.5 percent to promote the commencement of construction on wind facilities prior to July 1, 2006.

Ethanol

- A continuing appropriation for the Governor's Counter-cyclical Ethanol Production Incentive, which makes available up to \$4.6 million in the next biennium, including \$1.35 million for expansion of existing ethanol plants.
- A 20-cent-a-gallon tax incentive for E85 at the pump, which must be passed on to the consumer (up to 1.2 million gallons).
- A 30 percent investment tax credit for all investors in ethanol or biodiesel production facilities.

Biodiesel

- A \$1.2 million Biodiesel PACE program, which will provide up to \$650,000 in interest buy-down for a biodiesel plant, by providing \$400,000 with \$250,000 in regular PACE.
- An income tax credit of 10 percent per year for up to 5 years, or 50 percent of direct costs, for biodiesel sales equipment, such as pumps, hoses and tanks purchased by retailers.
- An income tax credit for any fuel supplier that blends biodiesel fuel to the ratio of 5 percent, or B5. The credit equals five cents per gallon of fuel blended.
- A sales tax exemption on the sale of new equipment to any facility that will enable the facility to sell diesel fuel containing at least two percent biodiesel fuel.

Hydrogen

- A sales tax exemption on hydrogen to power an internal combustion engine or fuel cell.

Agriculture

- **Comprehensive package of renewable energy initiatives**, including ethanol, biodiesel and wind.
- **Expanded the Ag Business Investment Tax Credit for Value-added Processing:** Supported revision of this incentive to stimulate wider use of the credit by a larger number of investors in potential ethanol and biodiesel plants, as well as other value-added enterprises.
- **North Dakota Commodity Exports:** Provided up to \$700,000 in matching funds for the North Dakota commodities.
- **Secured Nearly \$1 million** to pursue the state's Rail Rate Complaint Case before the federal STB.
- **Enhanced Funding for Agriculture Research and Extension Service** by \$1.7 million, including The Barley and Beef initiatives.
- **Expanded Research and Development:** Funded \$4.5 million for Phase I of the new greenhouse facilities at NDSU, which are needed for research work on all North Dakota crops. (\$2 million bonding with \$2.5 million match for a total of \$4.5 million;
- **Enhanced the Beef Center of Excellence:** Provided new staff support at the NDSU *Beef Center of Excellence* by funding an animal geneticist and a meat science specialist as recommended by SBARE. Funded \$450,000 for operating costs over the biennium, plus made \$800,000 of Ag Pace funds available with a 2 to 1 match to build the center.
- **Funded the Western Barley Initiative:** Provided \$350,000 funding for enhanced development of new barley varieties for malting use and for ethanol use. (\$288,000 in general and \$59,799 in special funds.)
- **Increased funding for the Farm Business Management Program:** Provide an additional \$100,000 in funding for the Adult Farm Management Program.

Water Development

- Authorized more than \$100 million for water development projects statewide, to provide for clean drinking water, flood protection and irrigation needs vital for statewide economic development and quality of life.

EDUCATION – Significantly increased funding for education to pursue academic excellence and target additional dollars to classrooms to improve teacher compensation.

K-12 Education

- **Increased K-12 Education Funding:** Increased K-12 funding for 2005-2007 biennium by nearly \$40 million, with districts targeting 70 percent of new money in foundation aid and tuition apportionment for teacher compensation.
- **Improved Base Teacher Salary:** Increased minimum base salaries by \$1,000, from \$21,500 to \$22,500.
- **Improved School Funding Equity:** Adjusted the weighting factors, increased the mill deduct, and adjusted the supplemental payment formula to improve school funding equity..
- **Expanded Funding for Joint Powers Agreements:** Up to \$2 million available to empower school districts to work together toward delivering a quality education to all students.
- **Increased Funding for Isolated Schools** by more than \$400,000.
- **Enhanced Funding for Career and Technical Education** by nearly \$2 million.
- **Increased Information Technology Funding for K-12 Schools** by \$2.3 million.

Higher Education

- **Expanded Higher Ed Funding:** Significantly increased funding for Higher Education by almost \$26 million in additional operating funds, together with an up-front commitment of \$20 million in *Centers of Excellence* funding, for a total of nearly \$46 million. The \$20 million is part of a \$50 million *Centers of Excellence* program committed to by the Legislature and designed to pursue academic excellence and spur research and development, new technology and job creation. Also, the Legislature funded an aggressive capital construction budget for the NDUS and increased funding for Ag Research and Extension Service.
- **Capitol Construction:** Authorized more than \$175 million for capital construction projects on North Dakota State University campuses.

TAKING CARE OF PEOPLE – A strong commitment to quality of life by providing for seniors, children and people with disabilities, as well as our veterans, reservists and active duty military.

Human Services

- **Enhanced Department of Human Services Funding by more than \$80 Million,** which produced more than \$150 million in total state and federal funding, to directly help seniors, children, people with disabilities and other vulnerable individuals.
- **Enhanced Total State and Federal Funding for Long-term Care Providers** by more than \$24.5 million, including re-basing for our nursing homes and a new reimbursement formula.
- **Increased Total State and Federal Funding for Home and Community Based Care** by \$6.5 million, 21 percent.

- **Expanded Seniors Programs:** Enhanced the Homestead Property Tax Credit; abolished the Social Security/Unemployment Insurance Offset, and established a Single Point of Entry to serve seniors along the entire continuum of care. Also increased the senior mill levy match by nearly \$350,000, or 21 percent, to provide meals for low income seniors.

Keeping North Dakota Safe

- **Increased funding for the Department of Corrections** by almost \$20 million, along with another \$3 million to enhance the state's civil commitment capacity for violent and sexual offenders.
- **Sexual and Violent Offenders:** Established mandatory life sentences without parole for offenders when a sex crime results in the death of the victim; enhanced the civil commitment laws and probation; opened court records in civil commitment proceedings and Enhanced the civil commitment process to provide for greater monitoring and supervision of dangerous sex offenders.
- **Meth and Substance Abuse Treatment:** A pilot drug abuse treatment program in eastern North Dakota as an alternative to prison for first time, non-violent felons.
- **Expanded Drug Courts:** Established a commission to plan the further development of Drug Courts in North Dakota..

Public Employees

- **Secured a 4 percent and 4 percent salary increase** for state employees in the next biennium, while retaining full medical insurance coverage by the state. Also secured funding for equity adjustments in agency budgets, including the Highway Patrol and Department of Corrections.

Military and Veterans – Recognizes the personal and financial sacrifice of our resident veterans of all services – Active, Reserve and National Guard.

- **Bonus Payments for Recent Vets:** Provided \$5 million to fund the Veterans' Bonus Program, which pays \$100 per month for overseas and \$50 per month stateside service, up to \$1,800 and \$900 respectively. Provided \$2,500 for heirs of those who died in service or received a purple heart.
- **Enhanced Tuition Credit:** Provided \$1 million in additional funds for tuition assistance program, ensuring that Guard members can generally receive up to 100 percent tuition at state colleges. The plan made stepchildren eligible for tuition and fee waiver for KIA and the dependents of 100-percent disabled veterans. Provided in-state tuition rates for ND Guard members, regardless state of residence
- **Provided a state tax exemption for mobilized service members;** waived Licensure for Mobilized Service Members; enabled military service members to vote by fax or e-mail; and secured the retirement credit for mobilized military.
- **Continuity of Benefits:** Maintained health insurance and retirement benefits for state employees mobilized in the National Guard or Reserves.

FISCAL RESPONSIBILITY – Provided \$200 million to invest in our future and meet the needs of our people, while establishing a reserve of more than \$80 million to avoid future tax increases through sound fiscal management.

- Maintained a reserve of \$65 million in the Budget Stabilization Fund.
- Retained \$8 million in the Oil Trust Fund.
- Established a \$10 million ending fund balance.